

DRAFT

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA
JANUARY 17, 2006
MINUTES**

MEMBERS PRESENT:

Ned Sickle, Chairman
John Holdsworth, Vice-Chairman
Margaret Dunn, Commissioner
Jerry Gleason, Commissioner
Sally Shaffer, Commissioner
Kieran MacDonald, Commissioner (arrived 8:20)

ABSENT: Gordon Zuckerman, Commissioner

STAFF: Lee Guillory (arrived 9:04)
Jennifer Hawkes
Connie James
Kathy O'Connor
Kathy Montalvo
Dave Roderique

OTHERS PRESENT FOR ALL OR PART OF THE MEETING:

Brent DeRaad
Rachel Sacco

1. CALL TO ORDER

Chairman Sickle called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:08 a.m.

2. ROLL CALL

A formal roll call confirmed members present as stated above, noting the presence of a quorum.

3. TDC NOTEBOOK OVERVIEW

Ms. O' Connor reviewed the contents and intent of the notebooks compiled for the Commissioners. She noted a section for storing various pieces of information regarding the Tourism Development Commission and various sections containing material to be

worked on during the remainder of the year, including a schedule of meetings, City Council goals, policies, open meeting laws, and the TDC Bylaws.

Commissioner Dunn complimented Ms. O'Connor on a well thought out project. She requested the liberty to share the notebook with the Citizen's Code of Ethics Task Force and suggested using the notebook as a template for the other boards and commissions to create a similar tool.

4. PARLIAMENTARY PROCEDURE

Connie James, Human Services Director, presented a brief history of the evolution of parliamentary procedure and Robert's Rules of Order. She noted that the majority of Robert's Rules can be used in government and that the most important part of Robert's Rules goes along with the open meeting law. She elaborated that an agenda is key to the open meeting law and that all items must be agendaized in order to be discussed. The key things in Robert's Rules, Ms. James highlighted, are to get the attention of the chairperson, to speak loudly and clearly, and to state motions in a positive manner. A motion must be seconded or it automatically fails. Once seconded there can be an open discussion and the chairperson will bring the motion back at the end of discussion for a vote. She also noted that the chairperson should repeat motions, including who moved and seconded, noting any dissenting votes or if carried by unanimous decision.

Ms. James reiterated that parliamentary procedure allows motions to be heard in order. She noted that it is critical that any item the Commission is speaking on or voting on must be on the agenda and agendaized as such. She concluded by stressing that in order to have a positive, well-run meeting, it is most important to remember to speak clearly and concisely and to state the name of who voted for or opposed the motion.

Jay Osborn, Assistant City Attorney addressed the Commission with a brief overview of the open meeting law, conflict of interest, and gift policy contained in notebook. He presented Commissioners with a publication of Arizona League of Cities and Towns entitled: "You as a Public Official", encouraging review of the sections regarding conflict of interest and open meetings.

Mr. Osborn noted that a common violation of the open meeting law is having a quorum via email. He advised that whether by email or in person, anytime four or more Commission Members have a discussion about matters that would normally come before the Commission, it is considered a quorum. Even serially discussing an issue constitutes a quorum.

Noting a recent quorum by email problem addressed by the Attorney General's office, Mr. Osborn presented Commissioners with a copy of the memorandum adapted by City Attorney Betty Roberts pertaining to their opinion concerning open meeting laws. Mr. Osborn commented that he suspects that the Ethics Task Force will recommend training for all Scottsdale Boards and Commissions.

In response to a question by Commissioner Dunn, Mr. Osborn referenced page 1, three-quarters of the way down in the Roberts memo, suggesting all emails between Commissioners contain the message: "To ensure compliance with the open meeting law, recipients of this message should not forward it to other board or commission members

and board or commission members should not reply to this message.” He noted that the use of email is allowed and appropriate, but makes it very easy to violate the open meeting law.

Clarifying for Ms. O'Connor, Mr. Osborn explained that staff updates and updates on projects should be in informational form so as not to spark a discussion; the less comments there are, the less chance there is of violation of the open meeting law. He noted that the correct way to present items requiring discussion is to put them on the agenda for a future meeting.

Chairman Sickel welcomed new Commission Member Kieran MacDonald.

5. ELECTION OF 2006 CHAIRMAN AND VICE CHAIRMAN

COMMISSIONER DUNN MOVED TO NOMINATE VICE-CHAIRMAN HOLDSWORTH TO CONTINUE HIS VICE-CHAIRMANSHIP. SECONDED BY COMMISSIONER SHAFFER, THE MOTION CARRIED UNANIMOUSLY WITH A VOTE OF SIX (6) TO ZERO (0).

VICE-CHAIRMAN HOLDSWORTH MOVED TO NOMINATE CHAIRMAN SICKLE TO CONTINUE HIS CHAIRMANSHIP. SECONDED BY COMMISSIONER SHAFFER, THE MOTION CARRIED UNANIMOUSLY WITH A VOTE OF SIX (6) TO ZERO (0).

6. APPROVAL OF NOVEMBER 15, 2005 MINUTES

COMMISSIONER DUNN MOVED TO ACCEPT THE NOVEMBER 15, 2005 MINUTES OF THE TOURISM DEVELOPMENT COMMISSION. SECONDED BY VICE-CHAIRMAN HOLDSWORTH, THE MOTION CARRIED UNANIMOUSLY WITH A VOTE OF SIX (6) TO ZERO (0).

7. REPORTS

Bed Tax Staff report

Ms. O'Connor summarized the business activities through the month of November. She referenced the current bed tax collection report, attachment number 2 in the packet, which reflects the current figures to date. She noted the continuance of the positive trend with the bed tax collections being 8.7% ahead of last November's collections. She informed the Commission that the City's Tax Audit Report will be provided at the next Tourism Development Commission meeting and the approximate year-to-date bed tax of 13% over last year will be used until those figures are available.

In reference to Table 2, Ms. O'Connor explained that the year-to-date figures are based on the aggregate dollar figures, not the percentages.

In reviewing Table 3, Ms. O'Connor pointed out that the Tourism Development portion of the bed tax receipts is currently 9.8% ahead of budget. She also pointed out the section that shows receipts are 13.6% ahead of last year's actuals.

Ms. O'Connor reviewed the section on the current proforma which reflects the estimated cash flow and estimated receipts and expenditures. She noted that the proforma is showing a snapshot of the estimated cash flow on the current year's estimates and that, based on the budget, there is an approximate shortfall of \$117,000.

In response to inquiry by Commissioner MacDonald regarding surplus carryover and the influence on the budget for the following year, Ms. O'Connor explained that the budgeting process establishes maximum spending levels, so the carryover balance is a fairly large number. She noted that if not budgeted and approved, it could in theory not be accessed, but that in reality if there were projects emerging in the current year there are ways, such as using a contingency item, to access the funds.

Ms. O'Connor further explained that the contingency is for the entire general plan and if there is contingency spending, there has to be a revenue source it is tied to. She noted that it is to the Commission's benefit and the City's benefit to have as many upcoming projects identified as possible and be able to have access to these funds with an identified source.

Dave Roderique added that it is difficult during a period of rapid growth and the proforma doesn't accurately reflect what occurs on a daily basis. He noted that financial services people can be conservative in their estimates, so estimates can increase as it gets close to the end of the year and that is one of the reasons the carryover ends up being larger than anticipated.

Vice-Chairman Holdsworth noted that there are methodologies where a recommendation could be made to Council for exception expenditure, but with a specific task attached to it. He mentioned there are ways in which to approach Council with recommendations, but a formal vote would be required in order to spend over the budgeted amount.

In response to inquiry by Vice-Chairman Holdsworth, Ms. O'Connor clarified that the \$500,000 contingency reserve is not reflected in the proforma but is included in the carryover.

SMITH TRAVEL REPORT

Ms. O'Connor highlighted the last section of the packet which reviewed the year-to-date numbers. She added a reminder that the census included in the report is a market area report and not just City of Scottsdale, noting for Commissioner MacDonald that it was conducted this way because it was to be used to measure the marketing effort.

PROJECT STATUS UPDATES

Ms. O'Connor noted that the additional funding for the Desert Discovery Center extended scope was approved by Council in December and is moving forward.

Ms. O'Connor reported a request from the Transportation Department, which was brought to the Tourism Development Commission through Chairman Sickles, for supplemental funds to operate the resort trolley. She noted that a number of hotels have opted to participate; the Downtown Group has contributed some funds. She further

noted that the requested \$6,000 is available if needed and if the Commission had no objections, she would proceed accordingly.

Ms. O'Connor informed the Commission that interviews in December for the Event Manager Position did not produce any results and the job description is being modified.

Ms. O'Connor mentioned that following the TDC retreat she, Rachael Sacco, Chairman Sickie, and Dave Roderique met to further discuss the CVB incentive. She noted that it is moving forward and more specific information will be provided to the Tourism Development Commission in February. She reported that they are looking at some interesting possibilities in terms of how the money can be spent and invested rather significantly in order to secure a long-term agreement.

In response to inquiry by Vice-Chairman Holdsworth, Ms. O'Connor explained that there is no time limitation for recommendation that funds be allocated to a project, although the goal is for completion during the fiscal year because it was budgeted this year. She noted that if it carried over to the next year, a time frame would have to be considered.

8. DESTINATION MARKETING PROGRAM UPDATE

Ms. Sacco reminded Commissioners that the quarterly meeting would be held at the Chaparral Suites at 8 a.m. Ed Gawf will present a report on developments in the downtown area.

Mr. DeRaad reported that the daily numbers from Smith Travel have yet to come in, but the Insight Bowl, the Fiesta Bowl, and PF Chang's Rock-N-Roll Marathon all seem to have been very successful events.

Mr. DeRaad informed the Commission that they are sponsoring a celebrity-am event at the FBR Open on Tuesday of FBR week at Grayhawk Golf Club. He mentioned the exposure opportunities available through Communication Links and the CBS sports crew. He also mentioned the Barrett Jackson Auction and the tremendous opportunity for exposure, noting that the event is televised on the Speed Channel.

In response to a question by Commissioner MacDonald, Mr. DeRaad explained how the CVB disseminates the business derived from an event from general leisure business using South Travel data and a year-over-year look.

Mr. DeRaad explained that the Economic Vitality staff is working on ways to keep the Fiesta Bowl activity in Scottsdale. He noted that the Fiesta Bowl headquarters will be located in the Scottsdale Waterfront beginning in June and that a new contract is being negotiated with them including negotiations for a possible permanent practice facility.

Ms. Sacco noted that the Tommy Bahama event attracted 17 million viewers and that they are taking a look at the value of sponsorship and other events. She reported that productivity is growing by leaps and bounds in convention sales. Also noted were the expanded tourism efforts including publication of a new spa guide and other specialized guides.

In response to concerns expressed by Vice-Chairman Holdsworth, Mr. Roderique noted that the negative comments made by Mr. Jackson were aimed toward Brad Gessner, former General Manager of Westworld, and that the City is in negotiations with Mr. Jackson for a long-term agreement. He noted that the subject will be agendized for next month's meeting and should by then have numbers from the survey being conducted measuring the economic impact of the event.

9. AUDIT NO. 0501 FOLLOWUP

Mr. Roderique reviewed attachment No. 4, the Audit, noting that this one is on the bed tax. He reported that the key findings were split between Economic Vitality and those of Financial Services. He noted that the Audit opined that the reserve should be set aside as an enterprise account; Financial Services disagreed, which means there will be some changes in terms of how the budget is tracked and monitored, but there will not be any wholesale changes in terms of the financial tracking.

Mr. Roderique noted that the auditor recommended that the budget proposal for tourism be formally presented to the TDC, enabling a formal recommendation to be made to Council. The Audit further recommended that the TDC define criteria for acceptable expenditures and formally adopt policies relating to those expenditures. The auditor also noted in a cover letter to City Council that staff needs to look at having discretion in making changes to contracts and allocation of funds.

In response to a question by Commissioner MacDonald, Mr. Roderique reported that the issue of the Tourism Development budget and the allocation of funds from the General Fund will be discussed with City Council at a work study session scheduled for February 28, at 5 p.m. in the Kiva.

10. FY 2006-2007 BED-TAX PROFORMA

Ms. O'Connor presented a brief overview of the entire budget and line items referencing the bed tax proforma section in the packet. She noted that based on Commission discussion and requests, staff will come back with a formal proposal at the February meeting.

Referring to the tourism proforma budget section, Ms. O'Connor reviewed event retention and matching advertising, as well as budgeting for Super Bowl allocation. She also noted the research allocation and tourism related capitol projects and administrative costs.

In response to inquiry by Chairman Sickel, Ms. Sacco noted that results from the study are being done to determine the feasibility of the Downtown Western Museum and should be available in the next month.

Discussion ensued between Ms. O'Connor and Commissioner MacDonald concerning whether it would be more prudent to move towards a larger increase for Destination Marketing for purposes of supporting initiatives. Ms. O'Connor opined that the best way to approach it is to define what is included in the CVB's proposed balanced budget that would not happen if these funds were not part of the budget.

Ms. Guillory mentioned the concern that to increase the revenue numbers beyond four percent would be a risk because of the uncertainty that the growth will remain consistent.

Ms. Sacco noted that the CVB feels an obligation to consult the TDC with recommended initiatives. She noted that based on a zero percent budget, staff would like to make recommendations for additional funds based on research and that they are prepared to fit into the 4% budget, with the exception of technology which has not been updated.

Ms. Sacco reported that the \$400,000 earmarked for marketing is specifically for television commercials and for maintaining co-op advertising at current levels. In reviewing the numbers, she noted that the CVB is prepared to execute barebones events if funding is not available but that they don't want to scale back on marketing.

Ms. Sacco noted that the CVB does not know what the implications of the strategic plan will be, but does know that technology will be part of the strategic plan. Funds have not been put aside for technology. She identified that it has been approximately five years since the technology platform was updated. Ms. O'Connor reiterated that technology would be an area viewed as a marketing tool.

Commissioner Gleason remarked that most people realize that technology is different than it has been in the past and most feel that technology in business has to be changed at least every three years. He opined that productivity diminishes when people are working with outdated equipment and programs and that costs increase with service and repair. He noted that he would support a recommendation to move forward.

In response to Chairman Sickles' inquiry on a timetable, Mr. Roderique noted that a formal recommendation request was planned for the February meeting. It was also noted that once the numbers are allocated there is a minimal window for change.

Ms. O'Connor requested that the Commission inform staff if the consensus is that more money is needed, in order that staff can work to allocate funding. She also noted for Commissioner Gleason that a presentation of the preliminary final draft of the Five-Year Tourism Development Strategic Plan is to be presented next Tuesday at Chaparral Suites. She identified that the goal is to have the ability to have access to the funds.

A discussion ensued concerning whether the contingency amount is to be \$500,000 or 10%. Commissioner Gleason opined that it should change to 10% with half being contingency of the budget and the other half for a catastrophic event, because there is no risk to the City and the funds are available. Ms. O'Connor reiterated his point, noting that there would be an additional \$300,000 added to the \$500,000 anticipated carryover.

To clarify, Mr. Rodrique explained that because it is not a formal reserve, the desire is to ensure that there is a set amount available in the event that something happens. The money cannot be looked at as able to be dipped into to pay for technology and the five-year implementation. He further stated that the level of contingency needs to be clarified and then the remaining amount can be earmarked. He noted that if the entire \$800,000 is to go toward the zero budget it does not leave anything for future use, but does leave an \$800,000 carryover, which cannot be used for the strategic plan. Mr. Rodrique countered that option by suggesting that it may be better if the carryover balance is \$800,000 and the contingency is also \$800,000, or if specific programs and expenditures were required.

Vice-Chairman Holdsworth noted that the funds need to be allocated for events that need continued support from overages to avoid confusing issues.

Commissioner Dunn expressed support for the idea of a Tourism task force to review the issues in a smaller work environment.

At the request of Commissioner MacDonald, Ms. Sacco reviewed the approximate costs for the Insight Bowl, the Rock N' Roll Marathon, the Tommy Bahama Challenge and The Scottsdale Invitational. She also informed that there is no contingency in their budget for those types of events, although they are always prepared to carve a budget from other funds.

Chairman Sickie suggested the formation of a small task force to work in the anticipation of reaching closure on this budget in February. He requested that Ms. O'Connor work with Commissioners and organize a meeting. Ms. O'Connor clarified that the task force will review what event sponsorships are costing the CVB, put figures into the five-year strategic plan implementation, include implementation of the additional CVB dollars and how such will effect the reserve going forward.

11. PUBLIC COMMENTS

none

12. ADJOURNMENT

With no further business before the Commission, being duly moved and seconded, the meeting adjourned at 10:15 a.m.

Respectfully submitted,
A/V Tronics, Inc.